

## Message Text

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21

ACTION EUR-12

INFO OCT-01 AF-06 ISO-00 SAM-01 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01

CEA-01 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01

ACDA-05 /101 W

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R 271542Z MAR 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 2272

INFO AMCONSUL LOURENCO MARQUES

AMCONSUL LUANDA

AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

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E.O. 11652: N/A

TAGS: ECON, PO

SUBJ: MARCH 26 SPEECH BY PRIME MINISTER

REF: LISBON 981

SUMMARY: IN A SHORT SPEECH AT THE SWEARING-IN OF THE NEW CABINET, PRIME MINISTER GONCALVES USED POST-MARCH 11 ECONOMIC DEVELOPMENTS TO JUSTIFY REORGANIZATION OF GOVERNMENT. WHILE PLUMPING FOR CONTINUED AND SWEEPING ECONOMIC REFORM AT HOME, HE SUGGESTS THAT PORTUGUESE FOREIGN POLICIES WILL BE MODERATE AND CONSISTENT WITH ITS INTERNATIONAL (I.E., ALONG THOSE LINES DEFINED BY PRESIDENT COSTA GOMES IN HIS OCTOBER 1974 UN SPEECH). END SUMMARY.

1. IN SHORT SPEECH MADE AT MARCH 26 SWEARING IN OF NEW CABINET PRIME MINISTER GONCALVES DEVOTED PRIMARY ATTENTION LIMITED OFFICIAL USE

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TO THE ECONOMY.

2. PRINCIPAL ECONOMIC POINTS WERE:

A. FOLLOWING REACTIONARY AND CRIMINAL ATTEMPT OF MARCH 11, IT WAS NECESSARY ADJUST COMPOSITION OF GOVERNMENT WITH THE PRIMARY OBJECTIVE OF ASSURING FUNCTIONING AND STIMULATION OF ECONOMIC ACTIVITY.

B. STIMULATIVE EFFORTS WILL FOCUS ESSENTIALLY ON CONSOLIDATING ANTI-MONOPOLY POLICY OF ARMED FORCES MOVEMENT (AFM) PROGRAM AND DEFENSE OF THE LEAST PRIVILEGED WHICH WERE INITIATED WITH BANK AND INSURANCE NATIONALIZATION AND DECISION TO INTERVENE IN SOME KEY ENTERPRISES IN VARIOUS SECTORS.

C. CURRENT CRISIS WILL BE OVERCOME TO EXTENT CONQUESTS ALREADY MADE ARE CONSOLIDATED "IN A MORE ADVANCED ECONOMY."

D. MEASURES FORESEEN INCLUDE RESTRUCTURING NATIONALIZED BANKS TO MEET NATIONAL NECESSITIES; ORGANIZING "PRIVATE ENTERPRISES CONTROLLED BY THE STATE," ESPECIALLY THOSE AFFECTED BY BANKING AND INSURANCE NATIONALIZATION, AND CREATION OF A STATE PARTICIPATION INSTITUTE; REMODELING OF PLANNING SYSTEM; ESTABLISHMENT OF MINISTRY OF PLANNING AND ECONOMIC COORDINATION; AND PURSUIT OF NATIONALIZATION OF BASIC SECTORS, ESTABLISHING A CLEAR DEMARCATION OF THOSE SECTORS WHERE PRIVATE ENTERPRISE CAN EXPAND, WITH THE STATE SUPPORTING THAT EXPANSION.

E. IN ORDER TO COMBAT UNEMPLOYMENT AND INFLATION GOVERNMENT INTENDS TO ELABORATE A NATIONAL EMPLOYMENT PLAN INCLUDING EMERGENCY MEASURES AND TO ESTABLISH A NEW POLICY FRAMEWORK FOR PRICES AND RENT.

F. LAUNCHING A PROCESS OF AGRARIAN REFORM IS INDISPENSABLE.

G. WITH THE NATIONALIZATION OF BANKING AND INSURANCE THE ECONOMIC-SOCIAL PROGRAM (SEE REFTEL) HAS BEEN EXCEEDED. NEVERTHELESS, A SHORT-TERM ECONOMIC ACTION PROGRAM FOR STRATEGIC AREAS AND MEDIUM TERM PERSPECTIVES CAN BE EXTRACTED FROM THIS DOCUMENT.

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H. BECAUSE PORTUGAL IS LIVING BEYOND ITS MEANS, A REGIME OF TOTAL AUSTERITY IS IMPERATIVE, AND PUBLIC ADMINISTRATION MUST BE MOTIVATED.

I. NEW PERSPECTIVES ARE OPEN TO ENTREPRENEURS AS NEW FINANCIAL CONDITIONS MAKE FAIRER DISTRIBUTION OF CREDIT POSSIBLE.

3. IN REMAINDER OF HIS SPEECH, GONCALVES STATED THAT THE  
GOP'S GENERAL FOREIGN POLICY LINES CONTINUE TO BE THOSE DEFINED  
BY THE PRESIDENT IN HIS SPEECH TO THE UN LAST OCTOBER.  
DESCRIBING THE GOVERNMENT S A "CAMPAIGN GOVERNMENT" COMPOSED OF  
MILITANTS AND COMBATANTS IN THE STRUGGLE FOR PROGRESS, HE  
APPEALED TO ITS MEMBERS TO WORK DILIGENTLY ON THE DIFFICULT TASKS THEY  
ARA  
UNDERTAKING. HE AFFIRMED THAT THE PRESENT GOP WOULD GOVERN  
UNTIL THE NEW POLITICAL INSTITUTIONS. ESTABLISHED BY THE CON-  
STITUTIONAL ASSEMBLY, ARE INSTALLED.

4. GONCALVES ADDRESSED SPECIFIC MESSAGES TO PORTUGUESE  
EMIGRANTS, THE NEW LUSO-PHONE COUNTRIES, AND TO THE WORKERS AND  
POPULAR MASSES. HE APPEALED TO THE FIRST NOT TO GIVE CREDENCE TO  
DEFAMATORY CAMPAIGNS INSPIRED BY REACTIONARIES; TO THE NEW  
COUNTRIES HE REAFFIRMED GOP'S INTENTION TO PROVIDE  
ASSISTANCE; AND HE CALLED ON THE WORKERS NOT TO RELAX THEIR  
VIGILANCE AND TO HELP CONTRUCT A DEMOCRATIC, PROSPEROUS, AND  
INDEPENDENT PORTUGAL.

5. COMMENT: IN THIS SPEECH GONCALVES SUGGESTS TO FOREIGN  
LISTERNERS THAT GOP'S INTERNATIONAL POLICY CHANGES WILL BE  
MODERATE AND CONSISTENT WITH ITS INTERNATIONAL UNDERTAKINGS.  
HE TEELS HIS DOMESTIC AUDIENCE THAT GOP HAS CLEAR AND CONTINU-  
ING DEDICATION TO SWEEPING ECONOMIC REFORM WHICH WAS BY NO  
MEANS COMPLETED WITH THE NATIONALIZATION OF BANKING AND  
INSURANCE. ONE SEES THIS IN HIS ADMISSION THAT LAST MONTH'S  
REASONABLY MODERATE AND TOGTUROUSLY ARRIVED AT ECONOMIC AND  
SOCIAL PROGRAM IS IN IMPORTANT RESPECTS ALREADY PASSE AND IN  
HIS STATEMENT THAT AGRARIAN REFORM IS IMPERATIVE. HIS  
REFORMING ZEAL IS OMLY MILDLY TEMPERED BY HIS REASSURANCE TO THE  
DWINDLING PRIVATE SECTOR THAT IT CAN PLAY A ROLE IN THE  
CHANGING PORTUGUESE ECONOMY.  
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## Message Attributes

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